

DD/A Registry
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STATINTL

OMB Circular A-76

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C/Admin/Comptroller
4E42 Headquarters

Dave:

Pursuant to our conversation today, I am forwarding herewith a copy of the draft revision of OMB Circular A-76 which was circulated under cover of an OMB memorandum dated 17 August 1978. We are currently reviewing the draft circular and propose a meeting prior to 23 October with appropriate OMB personnel to discuss any perceived problems with Agency compliance. As suggested during our discussion, we believe that a prior meeting should be called by the Comptroller, to include Office of Logistics and Office of General Counsel, with an objective of nailing down precisely what our problems would be with compliance.

We believe that the scope of the circular hits more into requirements and budgetary considerations and will, therefore, request that action on the attached memorandum be transferred to the Comptroller. This transfer also appears appropriate in view of the fact that OMB circulars are a matter of direct concern for the Comptroller.

(continued)

A copy of this memo, as well as its attached draft circular, are being distributed to the Logistics and Procurement Law Division of OGC. STATINTL

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Attachment

P.S. We expect that our review in OL will be completed during the week of 4 September and that we should be able to get our comment in to you early in the week of 11 Sept 78.

cc: ADDA
L&LPD/OGC

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

OFFICE OF FEDERAL
PROCUREMENT POLICY

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Executive Registry
28-2428

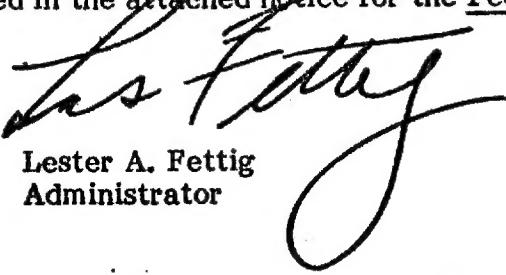
DD/A Registry
28-3387

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Draft Revision of OMB Circular A-76, "Policies for Acquiring
Commercial or Industrial Products and Services for Government
Use"

Following a comprehensive review of OMB Circular A-76 and its implementation, a number of proposed changes to the Circular were published for comment in November 1977. The attached draft revision of the Circular was prepared to implement those proposed changes, with due consideration for the comments received.

Please review this draft and provide any comments or recommendations that you have, by October 23, 1978 as indicated in the attached notice for the Federal Register.


Lester A. Fettig
Administrator

Attachment

OL 3 4036

OFFICE OF FEDERAL PROCUREMENT POLICY

Invitation for public comment.

AGENCY: Office of Federal Procurement Policy, Office of Management and Budget

SUMMARY: This proposed revision would replace OMB Circular A-76, "Policies for Acquiring Commercial or Industrial Products and Services for Government Use." It reaffirms the Government's general policy of reliance on the private sector for goods and services, while recognizing that governmental functions must be performed by Government personnel and that proper attention must be given to relative cost. More definitive guidelines are provided to ensure greater consistency and equity to all parties in the implementation of this Circular.

DATE: Comments must be received on or before October 23, 1978.

ADDRESSES: Comments should be addressed to the Administrator for Federal Procurement Policy, Office of Management and Budget, 726 Jackson Place, N.W., Washington, D.C. 20503.

FOR FURTHER INFORMATION CONTACT: Mr. William D. Russell, Deputy
Assistant Administrator for Logistics
Telephone 202/395-3327.

SUPPLEMENTARY INFORMATION: Under Public Law 93-400, the Administrator for Federal Procurement Policy is responsible for monitoring and revising policies,

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regulations, procedures and forms relating to reliance by the Federal Government on the private sector to provide needed property and services. On June 13, 1977, the Administrator and the Director of OMB announced a comprehensive review of OMB Circular A-76 and its implementation, and solicited input and suggestions from interested parties. On November 21, 1977, a number of proposed changes to the Circular were published for comment. This draft revision of the Circular implements those changes, with consideration of the responses received.

DISCUSSION OF PROPOSED REVISION

Policy

The current Circular A-76 states the Government's general policy of relying on the private sector to supply its needs. The draft revision expands this policy statement to recognize that "governmental functions" must be performed by Government personnel, and that the taxpayer is entitled to economy in Government, which requires appropriate emphasis on comparative cost.

Definitions

Circular A-76 currently defines a "new start" as any new Government commercial or industrial activity, or any significant expansion or additional capital investment in an existing activity. The draft revision would define "new start" and "expansion" separately, permitting appropriately different treatment in reviews and cost studies.

"Government commercial or industrial activity" is defined in more detail, and a representative listing of commercial and industrial activities is provided as Attachment A.

"Governmental function" is defined to clearly embrace the activities that should always be performed by Government personnel because they involve exercising a Governmental judgment. This definition is primarily limited to those functions which inherently involve value judgments, and does not include ancillary and support activities.

Scope

The scope of the Circular has been simplified and clarified to exclude "governmental functions" from inventory and review requirements, and also to clearly prohibit contracts which establish an employer-employee relationship between the Government and contract personnel. It also reemphasizes that agencies should not contract out for the purpose of avoiding personnel ceilings or salary limitations, and clarifies the relationship with OMB Circular A-109 and guidance on consulting services. New language more clearly states the applicability of the Circular to R&D activities. These changes should eliminate some misunderstandings and improper interpretations that have caused problems in the past.

Interagency Provision of Goods and Services

The present Circular lists services obtained from another agency as one of the exceptions to reliance on the private sector. Agency guidance was not adequate and resulted in inconsistent treatment of such arrangements. In some cases, an activity is listed by both agencies, in other cases, it is not listed or reviewed by either. In the draft revision, this coverage is placed in a separate paragraph and provides new guidance to assure proper reviews.

Circumstances Under Which the Government May Operate a Commercial or Industrial Activity

Current language has permitted this section to be very loosely interpreted and applied. Under the proposed change, coverage is simplified to provide more consistent implementation. One of the exceptions was moved to a separate paragraph and two were consolidated, leaving three circumstances to justify in-house performance: lack of a satisfactory private source, military necessity, and relative cost.

More specific guidelines are provided for determining when there is no satisfactory commercial source, including any case where use of a contract would delay or disrupt a program. The Department of Defense is developing more detailed criteria for identifying those activities that must be performed by Government personnel to maintain military readiness. Cost comparisons, which have been the focus of considerable controversy, will be covered in a new supplemental handbook. A draft of this handbook will be published for review and comment by interested parties prior to issuance.

Cost Comparisons

Cost comparison guidelines are rather general in the present Circular, permitting a wide divergence in practice between agencies. The revised draft establishes basic principles to be followed, which will be supplemented by detailed guidance in the handbook. Significant changes in the proposed cost comparison principles, which are designed to produce greater accuracy and consistency in cost analyses, include:

- use of firm bids or proposals to establish commercial costs;
- recognition of overhead and indirect costs for Government operations;
- use of present value analysis when appropriate;
- cost differentials favoring the "status quo;" and
- a Government retirement cost factor, on a dynamic normal cost basis, of 20.4%.

Implementation

Implementation has been the most criticized aspect of Circular A-76 since its issuance — this responsibility is assigned to the executive agencies where it has not received a high level of management attention. Several specific changes in the proposed draft are intended to promote more effective and consistent implementation. These are:

- (1) Publication of an advance schedule for review of all commercial and industrial activities and service contracts suitable for Government performance;
- (2) public availability of review results;
- (3) a procedure for administrative review of disputed decisions.

These actions will provide a degree of visibility that should significantly enhance implementation.

CIRCULAR NO. A-76

Revised

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Policies for Acquiring Commercial or Industrial Products and Services for Government Use

1. **Purpose.** This Circular sets down the policies and procedures to determine whether needed commercial or industrial type work should be done by contract with private sources or in-house using Government facilities and personnel. This Circular covers all executive departments and agencies and replaces OMB Circular No. A-76, dated August 30, 1967, and all subsequent amendments.

2. Background. In a democratic free enterprise economic system, the Government should not compete with its citizens. The private enterprise system, characterized by individual freedom and initiative, is the primary source of national economic strength. In recognition of this principle, it has been and continues to be the general policy of the Government to rely on competitive private enterprise to supply the products and services it needs.

This policy has been expressed in Bureau of the Budget Bulletins issued in 1955, 1957, and 1960. In 1966, Circular A-76 was issued and, for the first time, prescribed the policy and provided implementing guidelines in a permanent directive. The Circular was revised in 1967, by Transmittal Memorandum No. 1, to clarify some provisions and to lessen the burden of work by the agencies in implementation. Transmittal Memorandum No. 2 was issued in 1976, providing additional guidance on cost comparisons and prescribing standard cost factors for Federal employee retirement and insurance benefits.

In 1977, a comprehensive review of the Circular and its implementation was initiated. Transmittal Memorandum No. 3 was issued on June 13, 1977, announcing the review and temporarily reducing the Government retirement cost factor. Comments were solicited from all interested parties, and proposed changes to the Circular were published for review and comment in November 1977.

3. Policy. This policy builds on three equally valid policy precepts:

a. Rely on the Private Sector. The Government's business is not to be in business. Where private sources are available, they should be looked to first to provide the commercial or industrial goods and services needed by the Government to act on the public's behalf.

b. Retain Certain Governmental Functions In-House. Certain functions are inherently governmental in nature, being so intimately related to the public interest as to mandate performance by Federal employees.

c. Aim for Economy; Cost Comparisons. When private performance is feasible and no overriding factors require in-house performance, the taxpayer deserves and expects the most economical performance and, therefore, rigorous comparison of contract costs versus in-house costs should be used when appropriate to decide how the work will be done.

4. Definitions. For the purposes of this Circular:

a. A "Government commercial or industrial activity" is one which is operated and managed by a Federal executive agency and which provides a product or service that could be obtained from a private source. A representative, but not comprehensive, listing of such activities is provided in Attachment A. An activity can be identified with an organization or a type of work, but

must be (1) separable from other functions so as to be suitable for performance either in-house or on contract; and (2) a regularly needed activity of an operational nature, not a one-time activity of short duration associated with support of a particular project. It also includes the facility and equipment ownership aspects of a Government-owned, contractor-operated (GOCO) facility.

b. An "expansion" is the modernization, replacement, upgrade, or expansion of a Government commercial or industrial activity involving additional capital investment of \$100,000 or more, or increasing annual operating costs by \$200,000 or more; provided, the increase exceeds 20% of the total investment or operating cost. A consolidation of two or more activities is not an "expansion" unless the proposed total capital investment or operating cost exceeds the total from the individual activities by the amount of the threshold.

c. A "conversion" is the transfer of work from a Government commercial or industrial activity to performance by a private commercial source under contract.

d. A "new start" is a newly-established Government commercial or industrial activity, including a transfer of work from contract to in-house performance.

e. A "private commercial source" is a private business or other non-Federal activity, located in the United States, its territories and possessions,

the District of Columbia, or the Commonwealth of Puerto Rico, which provides a commercial or industrial product or service required by Government agencies.

f. A "Governmental function" is a function which must be performed in-house due to a special relationship in executing governmental responsibilities. Such governmental functions can fall into several categories:

(1) Discretionary application of Government authorities, as in investigations, prosecutions and other judicial functions; in management of Government programs requiring value judgments, as in directing the national defense, selection of program priorities, and direction of Federal employees; and all regulatory responsibilities.

(2) Monetary transactions and entitlements, as in Government benefit programs and tax collection and revenue disbursements of the Government.

(3) Minimum in-house core capabilities in the area of research, development, and testing, needed for technical analysis and evaluation and technology base management. Requirements for such services beyond the minimum core capability which is justified by the agency are not considered governmental functions, however.

5. Scope.

- a. No executive agency will engage in or contract for commercial or industrial activities except in accordance with the provisions of this Circular, or as otherwise provided by law.
- b. The implementation provisions of this Circular do not apply to governmental functions pursuant to paragraph 4(f). These must be performed in-house by Government personnel.
- c. This Circular applies to the operation of Government-owned, contractor-operated (GOCO) facilities. The policies should be incorporated into the make-or-buy procedures of the operating contractor as an agent of the executive agency.
- d. Additional limitations are as follows:
 - (1) This Circular will not be used as authority to enter into contracts if such authority does not otherwise exist.
 - (2) This Circular will not be used to enter into contracts which establish an employer-employee relationship between the Government and individual contract personnel. Additional guidance on this score is found in the Federal Personnel Manual, FPM 300-8 and FPM 300-12.

(3) This Circular will not be used to justify a conversion to contract solely to meet personnel ceilings or to avoid salary limitations. When in-house performance can be justified under this Circular, but cannot be undertaken without impacting a personnel limitation, an appeal may be made to OMB for ceiling adjustment.

(4) Major system acquisitions are governed by the provisions of OMB Circular A-109, "Major System Acquisitions," dated April 5, 1976. Reliance on the private sector is one of the general policies contained in Circular A-109 to ensure competitive consideration of all alternatives before making a decision on the best method to satisfy an agency need.

(5) This Circular does not apply to consulting services of a purely advisory nature relating to the governmental functions of agency administration and management and program management. Assistance in the management area may be provided either by Government staff organizations or from private sources, as deemed appropriate by executive agencies, in accordance with executive branch guidance on use of consulting services.

(6) This Circular does not apply to contracts awarded under duly authorized set-aside programs, including small business, minority business, Indian preference, Federal prison industries, and other contract preference programs; however, activities will not be converted from in-house to contract performance except when scheduled for review in accordance with this Circular.

6. Use of Products and Services from Other Federal Agencies.

a. Excess property or services available from other Federal agencies should be used in preference to new procurements, as provided by the Federal Property and Administrative Services Act of 1949 and related regulations.

b. With respect to the use of excess capacity, the performing agency must justify operation of the Government commercial or industrial activity. Capacity should not be expanded while supporting another agency unless the total workload is reviewed and justified under the provisions of this Circular.

c. The agency considering use of excess capacity from another agency should review its needs under the Circular on a case-by-case basis. When a decision is based on a comparative cost analysis, the using agency should solicit bids or proposals to establish the commercial price. The agency with excess capacity should prepare the Government cost estimate for comparison with commercial costs.

7. Government Operation of Commercial or Industrial Activity. Government operation of a commercial or industrial activity may be authorized under one of the following conditions. In all cases, specific explanations must be documented. If the function has been performed by contract elsewhere or at another time, the justification must specify why circumstances are substantially different.

a. No Satisfactory Commercial Source Available.

(1) Before concluding that there is no commercial source available, the agency must place at least three notices over a 90-day period in the Commerce Business Daily. In the case of urgent requirements, the publication period in the Commerce Business Daily may be reduced to 30 days with two notices.

(2) Agencies' efforts to find satisfactory commercial sources, especially small and minority-owned businesses, should be supplemented by obtaining assistance from the General Services Administration, Small Business Administration, and the Domestic and International Business Administration in the Department of Commerce.

(3) Urgency by itself is not an adequate reason for starting or continuing a Government commercial or industrial activity. It must be shown that commercial sources are not able and the Government is able to provide the product or service when needed.

(4) Authorization on the basis that use of a commercial source would disrupt an agency program requires a specific documented explanation to demonstrate that contract performance would cause unacceptable program disruption.

(a) The fact that a program is classified, or part of an agency's basic mission, or that there is a possibility of a strike of contract employees is not an adequate justification of in-house performance.

(b) Disruption must be spelled out specifically in terms of cost, time and performance measures.

(c) Disruption must be shown to be of a lasting or unacceptable nature. Transitory disruption from conversions are not sufficient grounds.

b. National Defense.

(1) It may be necessary for the Government to justify a commercial or industrial activity for purposes of combat support, retraining of military personnel, or for mobilization readiness.

(2) Other detailed criteria will be developed by the Department of Defense and other agencies with a defense mission. With the approval of OMB, these criteria will be incorporated in the agency implementing instructions for this Circular.

(3) Justifications under this exception must show why commercial performance would not meet the military need.

c. Higher Cost. A Government commercial or industrial activity may be authorized if a comparative cost analysis, prepared in accordance with this Circular, indicates that the Government can provide or is providing a product or service at a cost lower than if it were obtained from a private commercial source, as spelled out below.

8. Cost Comparisons. A decision for in-house performance based on economy must be supported by a comparative cost analysis prepared in accordance with this paragraph and implementing guidance in the Cost Comparison Handbook, which will be issued as a supplement to this Circular.

a. Common Ground Rules.

(1) Both Government and commercial cost figures must be based on the same scope of work and the same level of performance. This requires the preparation of a sufficiently precise work statement with performance standards that can be monitored for either mode of performance.

(2) Standard cost factors will be used as prescribed by the Cost Comparison Handbook and as supplemented to describe particular agency operations. It will be incumbent on each agency to defend any variations in costing from one case to another.

(3) All significant Government costs must be considered, both for administering a contract and for direct Government performance, including allocation of overhead and indirect costs.

(4) The base period for the cost analysis will be keyed to the expected span of performance to guard against "buy-in" pricing on the part of contractors or Government activities. Prepriced options and subsequent recompetition should also be used to avoid a contract "buy-in." Except when the circumstances of the requirement dictate otherwise, the base period will correspond to the period of the proposed contract.

(5) Cost comparisons are to be aimed at full cost, to the maximum extent possible in all cases.

(6) Ordinarily, agencies should not incur the delay and expense of conducting cost comparison studies to justify a Government commercial or industrial activity for products or services estimated to cost the Government less than \$100,000 per year. However, if there is reason to believe that inadequate competition or other factors are causing commercial prices to be unreasonable, a cost comparison study can be conducted. Reasonable efforts should first be made to obtain satisfactory prices from existing commercial sources and to develop other competitive commercial sources.

(7) The cost comparison will use the present value cost and discount rate prescribed in OMB Circular No. A-94, "Discount Rates to be Used in Evaluating Deferred Costs and Benefits," when there are significant differences in capital investment or in the timing of outlays.

b. Calculating Contractor Costs. The commercial cost figure must be based on a firm bid or proposal, solicited in accordance with pertinent procurement regulations. Bidders must be told that an in-house cost estimate is being developed and that a contract may or may not result, depending on the comparative cost of the alternatives.

c. Calculating Costs of Government Operation.

(1) Each agency should assure that Government operations are organized and staffed for the most efficient performance. To the extent practical and in accordance with agency manpower and personnel regulations, agencies should schedule reviews under this Circular with internal reorganizations for accomplishing the work most efficiently.

(2) The Government cost factor for Federal employee retirement benefits, based on a dynamic normal cost projection for the Civil Service Retirement Fund, will be 20.4%.

(3) The Government cost factor for Federal employee insurance (life and health) benefits, based on actual cost, will be 4%.

d. An existing in-house activity will not be converted to contract performance on the basis of economy unless it will result in savings of at least 10% of the estimated Government personnel costs.

e. A "new start" will not be approved on the basis of economy unless it will result in savings compared to contract performance at least equal to 10% of Government personnel costs, plus 25% of equipment and facility costs.

f. All cost comparisons must be reviewed by an activity independent of the cost analysis preparation to ensure conformance to the instructions in the Cost Comparison Handbook.

9. Administering the Policy.

a. Implementation.

(1) Each agency will designate an official at the assistant secretary level or equivalent to have overall responsibility for implementation within the agency, along with subordinate contact points for major components.

(2) Each agency will establish one or more offices as central points of contact to maintain cognizance of specific implementation actions. These offices will have access to all decision documents and data pertinent to actions taken under the Circular and respond, in a timely manner, to all requests concerning inventories, schedules, reviews, and results of reviews.

(3) Within 60 days after the date of this Circular, each agency will prepare and issue implementing regulations, identifying the designated official and the central and subordinate contact points. When issued, copies will be forwarded to OMB's Office of Federal Procurement Policy for review. Copies of subsequent changes will also be forwarded for review.

(4) Each agency will recognize that work for the Federal Government may be performed by use of military personnel, in-service civilian employees, and contract services, and that past experience demonstrates that all three methods have been responsive and dependable in accomplishing sensitive and important work.

(5) Each agency will ensure that contracts awarded as a result of reviews under Circular A-76:

(a) contain all applicable clauses and provisions related to equal employment opportunities, veterans' preference, and minimum wages and fringe benefits;

(b) include a provision that the contractor will give Federal employees, displaced as a result of the conversion to contract performance, the right of first refusal for employment openings on the contract in positions for which they are qualified;

(c) are awarded to a responsible and responsive bidder, as established under pertinent procurement regulations; and

(d) are administered and monitored to achieve proper performance, using appropriate contractual remedies any time that performance is less than satisfactory.

(6) Each agency will exert maximum effort to find suitable employment for any displaced Federal employees, including:

(a) giving priority consideration for suitable positions with the Government;

(b) paying reasonable costs for training and relocation which will contribute directly to placement;

(c) Arranging for gradual transition when conversions are made to provide greater opportunity for attrition and placement; and

(d) coordinating with the Department of Labor and other agencies to obtain private sector employment for separated workers.

b. Inventories. Each agency will immediately compile a complete inventory of all commercial and industrial activities subject to this Circular.

(1) Agencies will prepare and maintain a complete inventory of all individual commercial or industrial activities (as defined in paragraph 4.a.), with a capital investment of \$50,000 or more, or annual operating costs of \$100,000 or more, which they operate. In addition to general descriptive information, the inventory should include for each activity: the amount of the Government's capital investment, the annual cost of operation, the date the activity

was last reviewed, and the basis on which the activity is being continued under this Circular. The inventory will be updated to reflect the results of each review as conducted.

(2) Agencies will also prepare and maintain an inventory of all contracts in excess of \$100,000 annually, except those awarded under a duly authorized set aside program, for services which could reasonably be performed in-house, including any activities that have been converted from in-house to contract performance. In addition to general descriptive information, the inventory will include: the contract number, name of the contractor, contract period, period of any options, and the total contract price or estimated cost. This inventory will be updated to reflect exercise of options and the termination and award of contracts.

c. Reviews. Agencies will prepare a detailed schedule for the review of each commercial or industrial activity and contract in the inventory to determine if the continued operation is in accordance with the policy and guidelines of this Circular.

(1) The schedule for review of in-house commercial and industrial activities will provide for review of all activities during the three year period following issuance of this revised Circular. Consideration should be given first to criteria that do not concern cost. Unless continuation is justified under paragraphs 7.a. or b., or the requirement is set aside under a duly authorized contract

program, a cost comparison must be conducted to determine the relative cost of Government and private performance.

(2) The schedule for review of contracts will show the date that each contract (including options) will expire, and the date that the requirement will be reviewed to determine if commercial performance is to be continued. The agency will review the contract cost and determine whether it is likely that the work can be performed in-house at a cost that is less than contract performance by 10% of Government personnel costs plus 25% of equipment and facility costs. When this is determined to be likely, a cost comparison will be conducted.

(3) Both schedules will be completed and provided to the Office of Federal Procurement Policy, OMB, within 60 days of issuance of this Circular. These schedules will be made available by the agency to all potentially affected employees and their representatives, and published for the information of contractors.

(4) Reviews will be conducted in accordance with the schedules, unless it is determined that a change in the schedule will be in the best interest of the Government. In such cases, when approved by the agency head or his designee, the schedule can be revised with 60 days notice to all affected parties.

(5) After the initial review, activities approved for continuation will be reviewed again at least once every five years. When it is determined by the agency head or his designee that the circumstances which supported the initial approval are not subject to change, subsequent reviews may be waived. These activities will be retained in the inventory, however, and so identified. A copy of the justification and the waiver will be made available to all interested parties upon request to the agency contact point.

(6) When a proposed expansion, modernization, or upgrade exceeds the threshold for capital investment or operating costs, it will be reviewed as though it were a scheduled review of an existing activity. At least 60 days notice will be given to all affected parties.

(7) When the number of commercial and industrial activities and the number of covered contracts is so great that reviews cannot be completed in the prescribed time period, the agency may request approval from the Office of Federal Procurement Policy, OMB, to schedule the reviews over a longer period.

d. New Starts.

(1) A new start should not be initiated by an executive agency unless the justification for establishing the activity under the provisions of this Circular has been reviewed and approved by a senior official of the agency. A new start which involves a capital investment or annual costs of \$500,000

or more must be approved by the agency head or by an official at the assistant secretary or equivalent level.

(2) The actions to be taken under this Circular should be completed before the agency's budget request is submitted to OMB. Data in support of such budget requests will be submitted in accordance with OMB Circular No. A-11.

(3) When Government ownership of facilities is necessary, the possibility of contract operation must be considered before in-house performance is approved as a new start. If justification of Government operation is dependent on relative cost, the comparative cost decision may be delayed to accommodate the lead time necessary for acquiring the facilities.

10. Appeals.

a. Each agency will establish a procedure for an informal administrative review of determinations made under this Circular. Upon written request from a directly affected party raising a specific objection the appeals procedure will provide for:

(1) An independent, objective review of the initial determination and the rationale upon which the decision was based.

(2) An expeditious determination, within 30 days, made by an official at the same or a higher level than the official who approved the original decision.

b. The appeals procedure is to provide an administrative safeguard to assure that agency decisions are fair, equitable, and in accordance with established policy. The procedure does not authorize an appeal outside the agency or a judicial review.

c. Since the appeal procedure is intended to protect the rights of all parties — Federal employees and their representative organizations, contractors and potential contractors, and contract employees and their representatives — it cannot be subject to negotiation, arbitration, or agreements with any one of those parties. Agency decisions are final.

d. Agency appeal procedures, when issued, will also be submitted to OFPP for review pursuant to paragraph 9.a.3.

11. Effective date.

This Circular is effective _____.

Questions or inquiries about this Circular or its implementation should be addressed to the Office of Federal Procurement Policy, OMB, telephone number (202) 395-3327.

ATTACHMENT A

EXAMPLES OF COMMERCIAL AND INDUSTRIAL ACTIVITIES

Audiovisual Products and Services

Photography (still, movie, aerial, etc.)
Photographic processing (developing, printing, enlarging, etc.)
Film and videotape production (script writing, direction, animation, editing, acting, etc.)
Microfilming and other microforms
Art and graphics services
Distribution of audiovisual materials

Automatic Data Processing

ADP services — batch processing, time-sharing, etc.
Programming and systems analysis, design, development, and simulation
Key punching and data entry services
Systems engineering and installation
• Equipment installation, operation, and maintenance

Maintenance, Overhaul, and Repair

Aircraft and aircraft components
Ships, boats, and components
Motor vehicles
Combat vehicles
Railway systems
Electronic equipment and systems
Weapons and weapon systems
Medical and dental equipment
Office furniture and equipment
Industrial plant equipment
Photographic equipment
Space systems

Systems Engineering, Installation, Operation, and Maintenance

Communications systems — voice, message, data; radio, wire, microwave, and satellite
Missile ranges
Satellite tracking and data acquisition
Radar detection and tracking
Television systems — studio and transmission equipment, distribution systems, receivers, antennas, etc.
Recreational areas
Bulk storage facilities

Manufacturing, Fabrication, Processing, and Packaging

- Ordnance equipment
- Clothing and fabric products
- Liquid, gaseous, and chemical products
- Logging and lumber products
- Communications and electronics equipment
- Rubber and plastic products
- Optical and related products
- Sheet metal and foundry products
- Machined products
- Construction materials
- Test and instrumentation equipment

Real Property

- Design, engineering, construction, modification, repair, and maintenance of buildings and structures
- Construction, alteration, repair, and maintenance of roads and other surfaced areas
- Landscaping, drainage, mowing and care of grounds

Industrial Shops and Services

- Machine, carpentry, electrical and other shops
- Industrial gas production and recharging
- Equipment and instrument fabrication, repair and calibration
- Plumbing, heating, electrical, and air conditioning services, including repair
- Fire protection and prevention services
- Custodial and janitorial services
- Refuse collection and processing

Health Services

- Surgical, medical, dental, and psychiatric care
- Hospitalization, outpatient, and nursing care
- Physical examinations
- Eye and hearing examinations — manufacturing and fitting glasses and hearing aids
- Medical and dental laboratories
- Dispensaries
- Preventive medicine
- Dietary services
- Veterinary services

Transportation

Operation of motor pools
Bus service
Vehicle operation
Air transportation
Water transportation
Trucking and hauling

Printing and Reproduction

Printing and binding
Reproduction, copying, and duplication
Blue-printing

Research and Development

Basic research
Applied research
Development
Concept formulation and demonstration
R&D studies
R&D testing

Office Services

Stenographic recording and transcribing
Word processing/data entry
Mail/messenger
Translation
Information systems and distribution
Financial auditing and services
Management auditing -

Security

Guard and protective services
Systems engineering, installation, and maintenance of security systems
and individual privacy systems
Forensic laboratories

Food Services

Operation of cafeterias, mess halls, kitchens, bakeries, dairies,
and commissaries
Vending machines
Ice and water

Other Services

- Laundry and dry cleaning
- Library operation
- Mapping and charting
- Architect and engineer services
- Geological surveys
- Cataloging
- Training (academic, technical, vocational, and specialized)
- Operation of utility systems (power, gas, water, steam, and sewage)

Aug 24 1979
245 PII 79
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UNCLASSIFIED INTERNAL
ONLY CONFIDENTIAL SECRET

Approved For Release 2001/08/02 : CIA-RDP81-00142R00020004-0004-0

ROUTING AND RECORD SHEET

DD/A Registry

File Equip + Supplies

DD/A Registry
78-33871

STATINTL		SUBJECT: (Optional)	ROUTING AND RECORD SHEET	
		OMB Circular A-76	DD/A Registry	
FROM: [REDACTED]		EXTENSION	NO.	
STATINTL ACTING Director of Logistics 2C02 [REDACTED]			OL 8 4086a DATE 1 SEP 1973 STATINTL	
TO: (Officer designation, room number, and building) EO 100a		DATE RECEIVED 8/15 FORWARDED 8/16	OFFICER'S INITIALS S m	
1. ADDA 7D26 Headquarters		5 SEP 1973	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.) STATINTL Mike:	
2.			Aubrey talked with [REDACTED] today regarding the draft circular, OMB A-76, which has been routed for comments. His discussion with Dave is pretty well outlined in the note on the attached routing sheet. We will develop a firm OL position next week.	
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6. Reg - in re.				
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OFFICE OF FEDERAL
PROCUREMENT POLICY

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

Executive Registry
28-2428

DD/A Registry
28-3387

AUG 17 1978

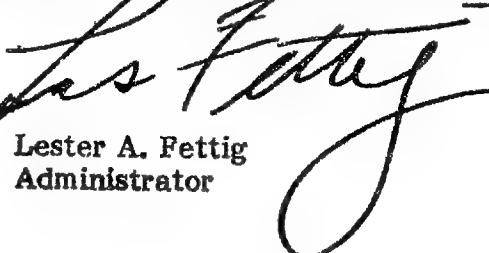
DD/A Registry
File Equipment & Supplies

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Draft Revision of OMB Circular A-76, "Policies for Acquiring Commercial or Industrial Products and Services for Government Use".

Following a comprehensive review of OMB Circular A-76 and its implementation, a number of proposed changes to the Circular were published for comment in November 1977. The attached draft revision of the Circular was prepared to implement those proposed changes, with due consideration for the comments received.

Please review this draft and provide any comments or recommendations that you have, by October 23, 1978 as indicated in the attached notice for the Federal Register.


Lester A. Fettig
Administrator

Attachment

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DD/A Registry

78-3853/1

DDA Subj

DD/A Registry

OLC 78-3157

11 October 1978

File Egypt & Supplies

MEMORANDUM FOR: Michael Malanick, ADDA

STATINTL

STATINTL

FROM :

Coordination and Review Staff
Office of Legislative Counsel

STATINTL

SUBJECT :

Chronological History of Purchase
Safes Through GSA

STATINTL

1. In late September, we received a telephone request from Pete Roman, on the staff of the Senate Governmental Affairs Subcommittee on Federal Spending Practices and Open Government, who reported that he had received an anonymous tip that the Agency had "half a warehouse full of defective safes from a subsidiary of [REDACTED]". Roman said that he had also been provided the names of two Agency employees who could provide him the details about these safes. After a discussion with Mr. Malanick, we decided and Mr. Roman agreed that at this time it would be better to make arrangements to provide him the pertinent documents on this matter.

2. On 2 October, Mr. Malanick provided this office with STATINTL 23 documents which provide a chronological history of the purchase by CIA [REDACTED]. On 6 October, the undersigned showed Mr. Roman the 23 documents with the instructions that should he want any of these documents they would be released to him in an unclassified version and that the names of Agency employees would be deleted as appropriate. Mr. Roman concluded that he wanted the entire package of documents.

3. The release of document number 1, which was originated by the Department of State, was approved by Mr. James Kolesnik, Chief, FOIA Office of Security, Department of State. The release of documents numbers 4, 5, 6, 7, and 8 was coordinated

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with Mr. Paul H. Riley, Deputy Assistant Secretary, Office of the Assistant Secretary for Manpower, Reserve Affairs and Logistics, Department of Defense. Neither Mr. Riley nor Mr. Kolesnik had any objection to our releasing these documents to Mr. Roman in their entirety.

4. At the request of Mr. Malanick, the names of Agency employees, except for Messrs. [REDACTED] Charles Kane and [REDACTED] Osborn, have been deleted from these documents. Mr. Malanick reviewed the attached material for classification purposes and determined that the Agency originated documents could be released to Mr. Roman in an unclassified form and those documents which bore classification markings or internal handling markings have been re-marked and declassified accordingly.

5. Attached is a set of the documents as they will be passed to Mr. Roman. Your concurrence on the release of this package is requested. When these documents are provided to Mr. Roman, we will request that no public use be made of these documents without prior clearances from the Agency.

[REDACTED] STATINTL

Attachments:
As Stated

STATINTL

CONCUR:

[REDACTED]
Michael Malanick, ADDA

10/11/78
Date

10/11/78
Date

10/12/78
Date

10/12/78
Date

* Should we request clearance with us before "public use" of
the document is made? Under what circumstances would we
grant, or refuse, clearance? RHF

UNCLASSIFIED INTERNAL
USE ONLY CONFIDENTIAL SECRET

Approved For Release 2017/06/02 : CIA-RDP81-00142R000200030004-6

SUBJECT: (Optional) Chronological History of Purchase of [REDACTED] STATINTL
Through GSAFROM: Michael J. Malanick
ADDA

EXTENSION

NO.

DDA 78- 3853

STATOTHR

DATE

2 October 1978

STATINTL

1. (Officer designation, room number, and building)	DATE		OFFICER'S INITIALS	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
	RECEIVED	FORWARDED		
1. Mr. [REDACTED] Deputy Legislative Counsel				DD/A Registry File Equipment + Supplies
2.				
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STATINTL

STATINTL

As a means to clarify certain statements (Attachment 3) made by Mr. [REDACTED] the undersigned contacted Mr. [REDACTED] by phone on 5 October 1978. The following represents a recap of his comments.

(a) Original Statement

"Since our Procurement Division told me that the Agency was going to accept these units --."

STATINTL

STATINTL

STATINTL

It is Mr. [REDACTED] recollection that, after months of effort with all the parties involved to reject the safes, the supply system found itself without safes to issue. Under the "low bidder" concept, any attempt to order additional safes through GSA would result in the delivery of additional [REDACTED] safes. Therefore, to meet existing needs the system had no choice but to accept and issue the [REDACTED] units.

(b) Original Statement

"I received a phone call from Chief, Materiel Facilities Branch, Central Depot telling me 'to forget the meeting at the Pentagon with DOD, it had been cancelled'."

STATINTL
STATINTL
It is Mr. [REDACTED] recollection that the Chief, MFB was then Mr. [REDACTED] who retired some four or five years ago and is not now in the immediate area.

STATINTL
Mr. [REDACTED] stated that he did not wish to imply that the meeting was cancelled under questionable circumstances. He merely wished to state that it was cancelled for reasons that he is unaware. He stated that at the time he accepted the cancellation as one of those things, i.e., conflict with other meetings, illness or possibly a security issue.

[REDACTED] STATINTL
[REDACTED]
Chief, Supply Division, OL

5 Oct 78

STATINTL

Reference is made to attachment 19 and the statement following the name, [REDACTED] The statement includes a reference to an additional order for 80 safes.

STATINTL

Examination of existing stock record cards disclosed that the orders for 32 and 80 safes (actually 85 as reflected on the cards) were cancelled.

STATINTL

It is the recollection of the undersigned that when advised that GSA had let both orders to [REDACTED] I directed Mr. [REDACTED] to cancel both orders and attempt to work out some arrangement with GSA which would assure us that other than [REDACTED] safes would be acquired for our use.

STATINTL

16
[REDACTED] STATINTL
Chief, Supply Division, OL

5 Oct 78

1964-65

STATINTL

Involved personnel recall that in this time frame, GSA proposed to initiate a single contract award to [REDACTED] for all safes for use within the Federal Government.

July 2, 1965

The State Department expressed objections to the single award. Attachment 1.

July 29, 1965

The Director of Security/CIA advised the Commissioner, GSA of the Agency's objections to the single award concept. Attachment 2.

September 1969

One hundred and thirty [REDACTED] Class VI, two-drawers [REDACTED] safes were received by CIA through GSA. Inspections determined several deficiencies and that the units did not meet specifications, then AA-F358E. Through the remainder of 1969 and early 1970, various efforts were made to correct the [REDACTED] safes and to gain the support of GSA and Army quality control elements in rejecting them. (See Attachment 3) Toward that goal, the then Chief, Physical Security Branch, Office of the Provost Marshall General, Pentagon provided the CIA safe technician attachments 4 thru 8, which reflect the exchange between the Department of the Army and GSA as to tests conducted and their findings.

November 1969

STATINTL



December 12, 1969

As a result of the deficiencies, the CIA safe technician, representatives of the Physical Security Division/OS, CIA and representatives of GSA sought assistance from the U.S. Bureau of Standards in validating the findings. Attachment 10.

January 1970

Tests were completed and the deficiencies noted and acknowledged by the GSA inspector. Attachment 11.

July 1970

STATINTL

Since the above tests indicated numerous faults in the safes tested, the CIA safe technician visited [REDACTED] to inspect the remaining, fifty-five, safes held there. The results of his inspection are cited in Attachment 12.

July 1971

The Agency established Diebold and Mosler safes as the Agency standard. Attachment 13.

12 April 1974

The issue of a single award contract was again raised by GSA in the Inter-agency Committee on Security Equipment. CIA response was in the same tone as its previous position. Attachment 14.

16 June 1975

GSA advises CIA that the Mosler Class VI safe will no longer be available under Federal Schedule since the 1976 bid was awarded [REDACTED] Attachment 15.

August 1975

STATINTL Ordered two [REDACTED] safes for evaluation.

16 January 1976

The Director of Security/CIA requests that the Office of Logistics/CIA negotiate directly with other sources for safes and requests that inspection be performed in house.

29 January 1976

STATINTL

The Office of Security limits the issue of [REDACTED] safes to the Washington area. Attachment 17.

29 January 1976

The Office of Logistics rejects the concept of direct negotiations with safe manufacturers but agrees to continue attempts to purchase other than [REDACTED] through GSA. STATINTL Attachment 18.

13 May 1976

GSA substitutes [REDACTED] safes against an Agency request for Mosler. GSA instructed to hold order pending the Agency's inspection of two [REDACTED] safes ordered in August 1975. Attachment 19.

3 September 1976

STATINTL Two [REDACTED] safes received against August 1975 order and found to be unacceptable. Attachments 20, 21 and 22.

4 January 1977

STATINTL

The Office of Security/CIA again rejects the [REDACTED] safe and requests the purchase of the Mosler safe. Attachment 23.

February 1977 to Date

To avoid the substitution of [REDACTED] safes for Mosler or Diebold models, it has been the practice of the Agency in this period to purchase, under the Federal Schedule, the minimum order directly from the manufacturers.

JUL 2 1965

Dear Commissioner Abercrombie:

The Department of State has been advised that your Agency proposes to establish a single awards contract for security cabinets currently available under the multiple awards contract.

The fact that pre-production models of security cabinets are tested by the Bureau of Standards to meet the requirements of the General Services Administration and the Interagency Advisory Committee on Security Equipment has given this Department the assurance that we are utilizing the best possible safe storage equipment for the protection of classified material; and, further, the fact that we have had the prerogative to procure cabinets that best suit our varied requirements raises a doubt on our part as to the feasibility and practicability of a single awards contract.

As I am sure you can appreciate, the Department of State has the full responsibility for maintaining all safe storage equipment, not only for State but for other U. S. agencies as well that are officiating in our overseas posts.

On many occasions our Security engineers and technicians have found inherent weaknesses in security cabinets, vault doors, and locks which were in effect security hazards to our operations both abroad and domestically. In order to correct these deficiencies the Department placed a moratorium on further purchase of the defective equipment until the weaknesses were corrected. Because of the multiple-award contract provisions being available, the Department was able to purchase other approved security equipment during the period corrective measures were being taken.

Matters of particular interest to this agency, notwithstanding the above, are:

1. Flexibility:

The Honorable

E. A. Abercrombie

Commissioner, Federal Supply Service

General Services Administration

18th and "F" Streets, N. W.,

Washington, D. C.

- 2 -

1. Flexibility:

Should a manufacturer's security cabinet or lock develop an inherent weakness, or if from field use it is found that we are having continued maintenance problems, we now have the flexibility to purchase--under the existing multiple awards contract--another manufacturer's cabinet at the same price, to insure this agency of its continued protection of classified material.

2. Comprication:

As a result of the flexibility of procurement of security cabinets, under the existing multiple awards contract, one manufacturer's cabinet may be compromised due to advanced technological methods developed by the opposition. A moratorium on the particular security cabinet could then be placed in effect pending necessary countermeasure action. In the meantime, if necessary, procurement of other cabinets from other sources could be effected. Under a single awards contract, if the manufacturer's cabinet is compromised due to advanced technological methods, compromise of all of similar cabinets wherever they may be located would occur.

3. Parts Requirements:

In our overseas establishments we have an estimated 893 Hesler (Class 3) security cabinets and 2,000 Diebold and Herring-Hall-Kirvin (Class 2) security cabinets which belong to the Department of State. In addition, there are an estimated 1,000 Hesler security cabinets as well as many other types belonging to other U. S. agencies, for which the Department of State must provide maintenance. It is reasonable to assume that if the proposed single awards contract is implemented, other manufacturers of security cabinets would most likely not continue to have replacement parts readily available. Replacement parts required would then have to be special ordered at excessive costs.

Another factor that must be considered in the issuance of a single awards contract for security cabinets, is the possibility that the contractor obtaining the single awards contract may shut down his factory due to a strike, fire, or any other problem that may hamper their production of security cabinets. What avenue of approach can then be taken to procure

security cabinets

- 2 -

- 3 -

security cabinets for the storage of classified material should an emergency arise and the single awards contractor is temporarily or permanently out of business?

In closing, I would like to say that the proposal by your Agency to establish a single awards contract for security cabinets could adversely affect our ability to implement Section 6 (3) of Executive Order 10591, which states, in part: "Custodians of classified defense material shall be responsible for providing the best possible protection and accountability for such material at all times...." It is hoped that your Agency will consider the foregoing and continue the multiple awards contract for security cabinets.

Sincerely,

O. Marvin Gentile
Deputy Assistant Secretary
for Security.

- 3 -

SECRET

Approved For Release 2001/08/02 : CIA-RDP81-00142R000200030004-6

7/29/65

The Honorable H. A. Abercrombie
Commissioner, Federal Supply Service
General Services Administration
18th and "F" Streets, N. W.
Washington, D. C. 20405

Dear Commissioner Abercrombie:

The Central Intelligence Agency has learned that General Services Administration has under consideration a proposal to establish a single awards contract for security cabinets to replace the multiple awards contract now in effect.

As we made known previously, through our representative on the Interagency Advisory Committee on Security Equipment, this Agency is opposed to single source awards in the vital field of security cabinets. It is our feeling that much of the progress which has been made over the past several years in the development of better security cabinets is directly attributable to the present practice of multiple awards contracts. Further, the limiting of supply availability to a single source could result in the non-availability of security containers for an indefinite period, if the manufacturing capability of the single source was interrupted for any reason. This, of course, would have an adverse effect on the security program of this Agency.

In view of the security considerations involved, it would be reassuring to know that the multiple contract awards for security cabinets will remain in effect so that the agencies of the Government, involved in the handling of sensitive security information, will be assured of the continued availability of security cabinets of the highest quality and security.

15
Howard J. Osborn
Director of Security

25X1A
OS/PhySD/ [REDACTED] /vht 27 Jul 65

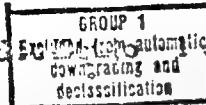
Distribution:

Orig. & 1 - addressee

1 - DD/PPB

1 - PhySD/GSA

SECRET



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STATINTL

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Next 17 Page(s) In Document Exempt

Approved For Release 2001/08/02 : CIA-RDP81-00142R000200030004-6

1 JUN 1969

MEMORANDUM FOR: Director of Logistics

ATTENTION

: Chief, Supply Division

SUBJECT

: Procurement and Issuance of Security
Containers

REFERENCE

: Memorandum for Director of Logistics
from Director of Security dated 19 May 1969,
subject: Procurement and Issuance of
Security Containers

1. The purpose of this memorandum is to state the current Office of Security policy concerning the procurement of security containers, as last set forth in the referenced memorandum. All of the security containers approved for procurement are on the Federal Supply Schedule. You may note, however, that there are other containers on the Federal Supply Schedule of the same class and configuration which this office does not approve for procurement. This disapproval is based on a past record of poor quality control, poor or nonexistent service departments, an inadequate supply of spare parts and difficulty of maintenance outside of the immediate Headquarters area.

Security Containers Approved for Procurement

<u>Manufacturer</u>	<u>Class</u>	<u>Configuration</u>
Diebold	5	2, 4 and 5 drawer
Mosler	5	Maps and Plans
Mosler	6*	2, 4 and 6 drawer
Mosler	6*	Maps and Plans
Diebold	2	2 and 4 drawer

*Sargent and Greenleaf T-8400 series combination lock preferred.
Master MR-302 combination lock acceptable.

13

2. The issuance of security containers both overseas and domestically remains the same as set forth in paragraphs 2 and 3 of the referenced memorandum. As new classes of containers become available on the Federal Supply Schedule, this Office will evaluate their suitability for Agency use and update this memorandum accordingly.

Howard J. Osborn
Director of Security

Distribution:

Orig & 1 - Addressee
1 - D/S
1 - DD/PTOS
1 - PSTB/Chrono
1 - PSTB/Reading

OS:PhySD/PSTB: [redacted] (23 June 71)

25X1A

SECRET

12 APR 1974

MEMORANDUM FOR: Commissioner, Federal Supply
Service
General Services Administration

SUBJECT : Agency Position Concerning Single
Versus Multiple Award for Security
Containers

1. At a 24 October 1973 meeting of the Inter-agency Committee on Security Equipment, this Agency took a position favoring multiple award for procurement of security containers. On 1 April 1974, this Agency received a request from the Committee chairman for a written confirmation of this position. Such is being provided herein.
2. Our experience has shown that the multiple award procedure encourages manufacturer competition and induces product versatility and higher quality. As a consequence it increases customer flexibility in the use of containers.
3. A program involving a single procurement award would eliminate this flexibility. Inasmuch as there is no commercial market for the higher priced government approved security containers, a number of current manufacturers have indicated that, in the absence of a government contract, it would not be economically feasible for them to continue to produce the containers and related parts.

4. It is our considered judgment that multiple award procurement is necessary for the continued effective operation of the security equipment programs of this Agency and the other member agencies of the Interagency Advisory Committee on Security Equipment. Accordingly, we strongly endorse the unanimous recommendation, by the Committee members on 24 October 1973, that the multiple award contract for approved security containers be continued.

25X1A

[REDACTED]

Director of Security

Distribution:

Orig - Adse
1 - PD/OL
1 - DD/PTOS
1 - D/Security
1 - OAB chrono
1 - Subj
1 - C/TSD chrono

25X1A

OS/TSD/OAB: [REDACTED]:cdl
4/8/74

SD Reading

ADMINISTRATIVE-INTERNAL USE ONLY

16 JUN 1975

Memorandum For: Chief, Logistics Services Branch, OL
 Through : Chief, Security Equipment Branch, TSD/OS
 Subject : Availability of Mosler Class-6 Security Files

1. As of 1 July 1975, Mosler Class 6 Security Files will no longer be available under Federal Schedule. A low bid contract for fiscal year 1976 was awarded to [REDACTED]. Mosler anticipates an 11 to 14 percent increase of price starting 1 July 1975, which suggests that any known requirements for Mosler Class 6 files be submitted prior to the end of Fiscal Year '75. A factor for consideration in this respect is that transportation by the car load (47 files) is \$14.00 per file as opposed to \$41.00 per file when procured in smaller quantities.

2. As Fiscal Year 1976 is concerned, any request for Class 6 security files must be directed to [REDACTED] unless there can be provided an appropriate sole source justification. [REDACTED] security file cabinets have proved unsatisfactory in the past on the basis of inspection accomplished with the participation of General Services Administration--primarily a matter of inadequate quality control. Whether a limited purchase or [REDACTED] for test purposes should be initiated in an effort to ascertain if the units will meet Organization requirements is a matter which we feel should be deferred to the addressees. Timely response to this request for guidance will be appreciated.

STATINTL

Chief, Supply Division, OL

Distribution:

Orig & 1 - Addressee
 1 - C/SEB/TSD/OS
 1 - SMB (official)

OL/SD/SMB/ [REDACTED] (16 June 1975)

ADMINISTRATIVE-INTERNAL USE ONLY

16 January 1976

MEMORANDUM FOR: Chief, Supply Division
Office of Logistics

SUBJECT : Procurement of Security Containers

1. Historically, the Office of Security has tested and evaluated the various security containers on the Federal Supply Schedule to determine those most suitable for Agency use and has advised the Office of Logistics of the specific containers approved for procurement. In the past, the recommended containers have been procured by direct negotiation with the manufacturer rather than procured through GSA. This approach has resulted in the Agency receiving the specific container desired and not a similar, but less desirable, unit that GSA may substitute. Because the Agency has been dealing with the two main safe manufacturers, Mosler and Diebold, since security containers first were placed on Federal Supply Schedule, an excellent rapport has been developed with these companies, resulting in excellent service and, on many occasions, preferential treatment.

2. As you are aware, Diebold, Inc. makes the Class 5 security container which is the unit approved for overseas use. By negotiating directly with Diebold, the Agency has received its containers in a timely manner at the same price as if procured through GSA and, more important, has been able to have either Mr. [REDACTED] of the Office of Logistics personally inspect each container at the assembly line, prior to shipment to the Agency. This latter procedure has had a major impact in assuring that containers reach the field in proper working order. The cost and time-consuming effort involved in repairing safekeeping equipment in the field can be extreme, and the efforts of these two gentlemen in assuring that every container shipped to the field is in completely satisfactory condition has been a most rewarding action.

3. The recent change of procuring the Diebold Class 5 security container through GSA, relying only on their inspection, will not prove as satisfactory as direct negotiation. This

05-6-109
E2 IMPDET 061126

STATINTL
office is familiar with the current GSA inspection program, and it is our firm opinion that it is not as effective as the inspections made by Messrs. [REDACTED] Even the manufacturer has indicated that, although our individual inspection at times has been frustrating to the Company, the lack of complaints and problems after the containers have been shipped and placed in service has far overshadowed any initial inconvenience. Further, since this Agency is a prime consumer of the Class 5 container, they encourage the continued direct procurement and individual inspection.

4. In light of the limited manpower of this office to service and maintain security equipment on a worldwide basis, any effort that can be made to assure proper operation of a container prior to its reaching the field greatly reduces our workload and allows us to provide emergency TDY assistance where required. Therefore, it is requested that procurement of security containers by this Agency continue to be by direct negotiation with the manufacturer and include the excellent pre-delivery inspections as made by Messrs. [REDACTED] It is firmly believed that the rewards of this procedure justify the effort.

STATINTL

[REDACTED]
Deputy Director of Security (PTC.)

Distribution:

Orig - Adse
1 - DD/PTOS
1 - OS Reg.
1 - C/TSD
2 - SEB

[REDACTED] :ra/9 Jan 76

STATINTL

CONFIDENTIAL

29 JAN 1976

MEMORANDUM FOR: Chief, Supply Division, OL

SUBJECT : Four-Drawer Filing Cabinets w/Combination Locks

REFERENCES : (a) Memo dtd 8 Jan 76 for C/PhySD/OS from AC/SD/OL, same subject
(b) Memo dtd 16 Jan 76 for C/SD/OL from DD/PTOS, subject: Procurement of Security Containers
(c) Memo dtd 23 Apr 74 for D/OL from D/OS, subject: Procurement of Security Containers
(d) Memo dtd 1 Jul 71 for D/OL from D/OS, subject: Procurement and Issuance of Security Containers

of this IV
1. Consonant with past memoranda concerning procurement and issuance of security containers (references b, c, and d) and to furnish guidance requested in reference a, it is requested that you obtain Mosler Class 6 containers, Stock No. 7110-00-920-9320 through the Federal Supply Schedule in the quantity required. This will serve as a mechanism to fulfil the desired goal of eliminating the use of Remington Rand file cabinets outside of designated secure areas [REDACTED]

STATINTL

2. Future orders of Class 6 four-drawer containers, both for use [REDACTED] and for stock replenishment, should also be the Mosler filing cabinet, capacity (legal) size, 4-drawer uninsulated, with combination lock, Class 6 (hand change Mosler lock), Stock No. 7110-00-920-9320, also obtainable through the Federal Supply Schedule.

3. With regard to the disposition of on-hand stock of the above items, it is requested that you retain the

E3 IMPDET
CL BY 056996

OL 6 0490 (17)

seven Mosler Class 6 containers, 7110-00-920-9343, in depot stock to satisfy emergency issue requirements.

STATINTL

4. The 29 [REDACTED] Class 5E filing cabinets, Stock No. 7110-00-1102-654, currently on hand, may be issued when requisitioned for use in the Metropolitan Washington, D.C. area only. The cabinets should not be issued for use overseas or in Metropolitan areas where floor loading is a problem.

STATINTL

[Signature] Chief, Physical Security Division
Office of Security

Atts
Refs

~~SD Releasable~~
~~Chrono~~
1-29-76

~~CONFIDENTIAL~~

MEMORANDUM FOR: Deputy Director of Security (PTOS)
SUBJECT : Procurement of Security Containers
REFERENCE : Memo dtd 16 Jan 76 fm DD/PTOS for C/SD/OL;
same subj.

1. We appreciate your concern about a change in policy
for procurement of security containers through the General
Services Administration (GSA) instead of direct negotiation
with the manufacturer. Consequently, the procurement of
security containers was discussed with Mr. [REDACTED]
of your staff and representatives from the Office of Logistics
at a meeting held on 23 January 1976.

25X1A

2. Based on the above discussions, it was agreed that,
although procurement will be made through GSA, inspection
of all containers at the vendor's plant will continue to
be made by Agency representatives, Messrs. [REDACTED]
and [REDACTED]

25X1A

3. Currently, Mosler Class 6 containers with the Mosler
hand change lock and Diebold Class 5 containers are on the
Federal Supply Schedule through GSA. If there is any change
in the future concerning the containers available through
GSA, your staff will be advised promptly before procurement
is initiated.

/s/

Michael J. Naranick
Director of Logistics

COORDINATION:

[REDACTED]
Chief, Procurement Division, OL

1-34-76

DATE

Distribution:

Orig & 1 - Addressee
1 - OL/LSO/ESB
1 - OL/PD
1 - OL/SD/SMB
1 - OL Official
1 - D/L Chrono

25X1A

OL/SD/SMB/AS: [REDACTED] (26 Jan 76)

OL 4-627-6-2

2 (18)

STATINTL

Approved For Release 2001/08/02 : CIA-RDP81-00142R000200030004-6

Next 8 Page(s) In Document Exempt

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